II

(Acts whose publication is not obligatory)

COUNCIL

COUNCIL DECISION

of 16 October 1978

empowering the Commission to contract loans for the purpose of promoting investment within the Community

(78/870/EEC)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Economic Community, and in particular Article 235 thereof,

Having regard to the proposal from the Commission,

Having regard to the opinion of the European Parliament (1),

Having regard to the opinion of the Economic and Social Committee (2),

Whereas economic activity, employment and investment in the Community are unevenly distributed and are all too low;

Whereas, in order to stimulate an economic upturn and support common policies, a new financial mechanism designed to make an additional contribution to investment promotion in the Community should be added to existing Community mechanisms alongside existing Community financial institutions and bodies whose scope should be widened;

Whereas Community action to this end would have a real follow-through effect and financial impact far beyond its apparent size;

Whereas such Community action should aim to realize investment projects which contribute to greater convergence and integration of the economic policies of the Member States and are in line with priority Community objectives;

Whereas plentiful finance can be found on the capital markets which could be tapped to finance investment within the Community;

Whereas the Community has a creditworthiness in its own right which must be used to best advantage to reinforce European support for the said investments and to support policies decided on at Community level;

Whereas borrowings equivalent to 1 000 million EUA in principal seem appropriate in the present circumstances for helping to achieve the desired result;

Whereas this new financial mechanism should be introduced on an experimental basis;

Whereas the European Investment Bank has stated that it is willing to contribute to the implementation of this Decision,

HAS DECIDED AS FOLLOWS:

Article 1

The Commission shall be empowered to contract loans on behalf of the European Economic Community which shall not exceed the equivalent of 1 000 million EUA in principal.

The proceeds of these loans shall be lent to finance investment projects which contribute to greater convergence and integration of the economic policies of the Member States. These projects must help attain the priority Community objectives in the energy, industry

(1) OJ No C 108, 8. 5. 1978, p. 32.
(2) Opinion delivered on 26 and 27 April 1978 (not yet published in the Official Journal).

and infrastructure sectors, taking account *inter alia* of the regional impact of the projects and the need to combat unemployment.

This mechanism may be used on its own or in conjunction with other Community financing instruments.

Article 2

Loans shall be activated tranche by tranche.

The Council, acting unanimously on a proposal from the Commission, and after consulting the European Parliament, shall authorize each tranche and lay down the guidelines for the eligibility of projects.

The Commission shall decide whether or not projects are eligible in accordance with the guidelines laid down by the Council.

The Commission will borrow on the capital markets within the limits of the tranches authorized. A single borrowing may be used to finance loans for different objectives.

Article 3

Borrowing and lending transactions shall be expressed in the same currency. Lending terms for reimbursement of the principal and the rate and payment of interest shall be fixed in such a way as to cover the costs and expenses of both the borrowing and lending side of each transaction.

Article 4

The terms of loans to be contracted shall be negotiated by the Commission in the best interests of the Community having regard to the conditions on capital markets and in accordance with the constraints imposed by the duration and other financial aspects of the loans to be granted. Funds borrowed shall be deposited with the European Investment Bank to be invested on a temporary basis if necessary.

Article 5

A mandate shall be given to the Bank to grant loans in pursuance of this Decision. The Bank shall carry out transactions under this mandate on behalf of, for and at the risk of the Community. Loan requests shall be forwarded to the Bank either directly or through the Commission or a Member State. After a Commission decision on the eligibility of each project pursuant to Article 2 the Bank shall, in accordance with the procedures laid down in its Statute and its usual criteria, examine these requests, decide whether and on what terms to grant the loans, and administer them.

The mandate given to the Bank shall be embodied in a cooperation agreement between the Commission and the Bank.

Article 6

The Commission shall annually inform the Council and the European Parliament of receipts and expenses resulting from borrowing and lending transactions. Each year it shall submit a review of its borrowing and lending policy together with the budget estimates.

In the light of this information, the Council may carry out an assessment of the general operation of the mechanism set up by this Decision.

As soon as the amount of loans taken up reaches the equivalent of 800 million EUA, or two years after the adoption of this Decision, whichever is the earlier, the Commission will submit a report to the Council and the European Parliament on the experience gained during the operation of this Decision.

The financial control and audit of the Commission's accounts shall be carried out in accordance with the Financial Regulation applicable to the general budget of the European Communities.

Article 7

For the purposes of this Decision the European unit of account (EUA) shall be that defined by the Financial Regulation applicable to the general budget of the European Communities.

Done at Luxembourg, 16 October 1978.

For the Council

The President

H. MATTHÖFER